Fairfax County
Diversity Assessment Evaluation of Small And Minority Businesses

Table of Contents

Purpose of The Study

The purpose of this survey was to assess the overall "health" of small and minority owned businesses operating within Fairfax County. The study examined past and expected growth across various companies. Specifically, it was designed to measure the level of satisfaction with various resources and organizations providing assistance. This information was used to help develop initiatives to optimize the experiences of small and minority businesses when interacting with these resources.

Methodology

A quantitative research design was most appropriate for this because it provided statistically reliable data and could also be compared across various sub-groups. Initially, we planned to conduct a 10-12 minute telephone survey among qualified businesses within Fairfax County. These businesses and phone numbers were to be provided by the Office of Small Business from their list of 45,728 companies with headquarters in Fairfax County.

Upon review of the list, we determined we could not conduct the survey via telephone and decided to administer it via the Internet. The Office of Small Business provided email addresses for approximately 3,500 companies. These companies were sent an invitation to participate in the survey. The study is based on 499 completed interviews.

Analysis

The study is divided into 2 main sections.

Section 1 addressed the "health" of the economy. Everyone completed this portion of the survey (ending sample = 499). Section 1 addressed issues such as:

- General health of the economy
- Sales performance during the past 12 months
- Expected sales performance over next 12 months
- Events affecting business performance

Section 2 was administered to businesses that had interacted with at least 1 government / "quasi-government" agency in the past year (ending sample = 302). This section of the survey focused on the importance and satisfaction levels across twenty-six (26) attributes when interacting with this agency. Respondents indicated the importance they assigned to each attribute. This helped identify those features that would be present in an "ideal" agency. The satisfaction scores are actually measures of how well the agency performed against these attributes.

Examining satisfaction scores only could lead to erroneous conclusions and action steps. As an example, if the satisfaction score for "fast registration process" was low, it may be concluded that appropriate action was needed to speed the registration process. This would require allocating resources. However, if this attribute is not important to your audience, your resources should be applied elsewhere. Therefore, we combined the importance of each attribute with the corresponding satisfaction / performance level to produce a Derived Value Score. This measure is critical when determining how to allocate your resources.

Although the attributes covered a wide spectrum, they can be grouped into 4 primary categories. Even though the categories are presented as groups, the individual attribute scores can be compared with each other. The categories are labeled:

- Process
- Personal interaction
- Training
- Services provided

Everyone completed the demographic portion of the survey. The survey instrument was developed working closely with the Office of Small Business Development.

Notes regarding The Report

Throughout the Report, numbers that are bold are statistically significant at the 95% confidence level. In the Detail Tables, bold and shaded numbers are statistically larger than the bold and italicized numbers at the 95% confidence level.

Executive Summary

- Overall, most respondents believe the economy is currently weak. Eighty-six percent of all companies surveyed indicated the economy is currently weak compared with 11.4% stating it is currently strong.

- However, most of these respondents have an optimistic view of the future. A sizeable percentage of those that believe the economy is weak think it will “turn around” in the near future. Although only 11.4% of those surveyed indicated the economy is currently strong, almost 66% suggest it will be strong in the near future (either strengthen or remain strong).

- Smaller companies, having gross sales less than $1 million in 2002, are significantly more likely to believe the economy will become or remain weak in the near future compared with larger companies.

- Smaller companies (gross sales and number of employees) achieved very strong growth over the past 12 months relative to larger companies. A significantly greater number of companies with sales less than $1 million indicated they experienced very strong growth compared with companies that had sales greater than $1 million (13.9% versus 4.3%). Conversely, significantly more of the larger companies had very strong declines over the past 12 months.

- This same pattern is demonstrated for companies based on the number of employees. Companies with 10 or fewer employees significantly outperformed companies with 11 or more employees.

- Most companies are optimistic for the future regardless of their current or past experience. Therefore, even larger companies that did not achieve very strong growth over the most recent 12 months expect to do better during the next 12 - month period.

- Eight out of 10 respondents indicated their business had been negatively impacted in the past year from some event. Respondents felt a sluggish overall economy had an impact on their businesses. An additional five percent of those surveyed cited a downturn in a specific industry or business having an impact on their business.

- Twenty percent of those surveyed indicated they were very satisfied with the agency they interacted with. However, significantly fewer respondents that interacted with the Small Business Administration were very satisfied compared with the “Other” agencies. One out of nine who had interacted with the SBA indicated they were very satisfied, compared with 29% of the “Other” agencies sub-group.

- A total of 26 attributes were developed and categorized into four categories – Process; Personal Interaction; Services provided; and Training. All four categories fell within the Important / Satisfied quadrant. Overall, the attributes within the Process Category were perceived as more important than the other categories. Although still in the same quadrant, The Training Category is the least important of the 4.

Detailed Findings – Economic Health

Overall, most respondents believe the economy is currently weak. Eighty-six percent of all companies surveyed indicated the economy is currently weak compared with 11.4% stating it is currently strong. The remaining respondents had no opinion regarding the health of the economy.

Health Of Economy		
	Current %	**Future %**
Strong	11.4	65.7
Weak	86.0	31.7
Point Difference	-74.6	+34.0

However, most of these respondents have an optimistic view of the future. A sizeable percentage of those that believe the economy is weak think it will “turn around” in the near future. Although only 11.4% of those surveyed indicated the economy is currently strong, almost 66% suggest it will be strong in the near future (either strengthen or remain strong). Conversely, 31.7% indicated the economy would remain weak or weaken in the near future (decrease from 86%).

Smaller companies, having gross sales less than $1 million in 2002, are significantly more likely to believe the economy will become or remain weak in the near future compared with larger companies. Almost 35 % of these smaller companies expect the economy to be weak compared with 25.7% of the larger companies.

Future Health Of Economy		
	Gross Sales 2002	
	LT $1MM	GT $1MM
Weak	**34.6%**	**25.7%**
Strong	63.8%	70.5%

Similarly, 33% of companies with fewer workers (less than 11 employees) believe the economy is weak and will remain that way. While only 25% of the companies that employ 11 or more workers believe this.

Companies with 11 or more employees have a more favorable impression of the economy than companies with fewer employees. Almost 14% of these larger staffed companies believe the economy is currently strong and will continue to be strong in the future. Only 7.5% of the companies that employ fewer employees feel this way.

Overall Impression Of Economy			
		Number Of Employees	
	Total	<= 10	11 +
Strong / Remain Strong	9.8	***7.5***	**13.7**
Strong / Weaken	1.6	1.6	1.6
Weak / Strengthen	55.9	56.2	55.3
Weak / Remain Weak	30.1	33.1	25.3

Smaller companies (gross sales and number of employees) achieved very strong growth over the past 12 months relative to larger companies. A significantly greater number of companies with sales less than $1 million indicated they experienced very strong growth compared with companies that had sales greater than $1 million (13.9% versus 4.3%). Conversely, significantly more of the larger companies had very strong declines over the past 12 months.

This same pattern is demonstrated for companies based on the number of employees. Companies with 10 or fewer employees significantly outperformed companies with 11 or more employees. Almost 15% of the companies with 10 employees or less had very strong growth, compared with 4.2% of the larger companies (11+ employees). One out of 10 of these larger companies had very strong declines versus 1.6% of the smaller firms.

Experience Past 12 Months					
		Gross Sales		**# Of Employees**	
	Total	**LT $1MM**	**GT $1MM**	**<= 10**	**11+**
Very Strong Growth (1)	10.6	**13.9**	**4.3**	**14.6**	**4.2**
2	19.6	22.3	14.7	23.7	13.2
3	45.5	44.3	47.9	42.5	50.5
4	17.0	14.5	22.7	14.0	21.6
Very Strong Decline (5)	7.0	**5.1**	**10.4**	**1.6**	**10.0**

As the table below illustrates, there are no differences in future expectations across these demographics. Most companies are optimistic for the future regardless of their current or past experience. Therefore, even larger companies that did not achieve very strong growth over the most recent 12 months expect to do better during the next 12 - month period.

Expectations Next 12 Months					
		Gross Sales		**# Of Employees**	
	Total	**LT $1MM**	**GT $1MM**	**<= 10**	**11+**
Very Strong Growth (1)	11.6	11.1	12.3	10.7	13.2
2	39.7	38.0	43.6	36.0	45.3
3	37.1	37.0	37.4	39.0	34.2
4	9.8	11.7	6.1	12.3	5.8
Very Strong Decline (5)	1.6	2.1	0.6	1.6	1.1

Larger companies expect the economy to “turn around” and anticipate this to favorably impact their business. Although only 4.3 percent of companies with sales greater than $1MM experienced very strong growth in the past, 12.3% of these companies expect very strong growth in the future. Similarly, 4.2 of companies with 11 or more employees stated they experienced very strong growth in the past, compared with 13.2 expecting very strong growth over the next 12 months.

Larger Companies		
Gross Sales Greater Than $1MM		
	Past Experience	**Future Expectation**
Very Strong Growth	4.3%	12.3%
Very Strong Decline	10.4%	0.6%
11+ Employees		
Very Strong Growth	4.2%	13.2
Very Strong Decline	10.0%	1.1%

Eight out of 10 respondents indicated their business had been negatively impacted in the past year from some event. Respondents felt a sluggish overall economy had an impact on their businesses. An additional five percent of those surveyed cited a downturn in a specific industry or business having an impact on their business. These respondents tended to refer to high tech or IT businesses when mentioning specific industries. Many comments within the "Other" category pertain to policy or budgetary changes within the Federal Government.

Event	Pct. Mentioning
Sluggish economy	79.8%
Events of 911	64.3%
Threats of war	55.5%
Downturn in specific industry / business	4.4%
Other	21.2%

* Adds to more than 100% due to multiple responses.

Detailed Findings – Satisfaction

Respondents who had interacted with at least 1 government or "quasi-government" agency in the past 12 months were asked to rate how satisfied they were with the agency overall. They indicated whether they were very satisfied; satisfied; dissatisfied; or very dissatisfied with the agency. In general, respondents were satisfied with governmental agencies. Seventy-seven percent of the entire sample stated they were either very satisfied or satisfied with the various agencies.

Twenty percent of those surveyed indicated they were very satisfied with the agency they interacted with. However, significantly fewer respondents that interacted with the Small Business Administration were very satisfied compared with the "Other" agencies. One out of nine who had interacted with the SBA indicated they were very satisfied, compared with 29% of the "Other" agencies sub-group.

Overall Satisfaction			
		Agency	
	Total Sample	**SBA**	**Other**
Very satisfied	20.1%	***11.5%***	**29.5%**
Satisfied	56.6%	58.0%	55.5%
Dissatisfied	12.5%	17.8%	6.8%
Very Dissatisfied	4.3%	3.8%	4.8%
Don't know	6.6%	8.9%	3.4%

A total of 26 attributes were developed and categorized into four categories:
The Process (5)

1. Speed of vendor registration
2. Ease of vendor registration
3. Registration process being fair to small and large businesses
4. Being informed of upcoming projects
5. Bidding process being applied fairly

Personal Interaction (7)

1. A live person available to help
2. Person servicing you was knowledgeable
3. Person servicing you was courteous
4. Person servicing you understood your business
5. Person was committed to help you
6. Specific person to go to for help
7. Issue was resolved the first time you called

Services Provided (6)

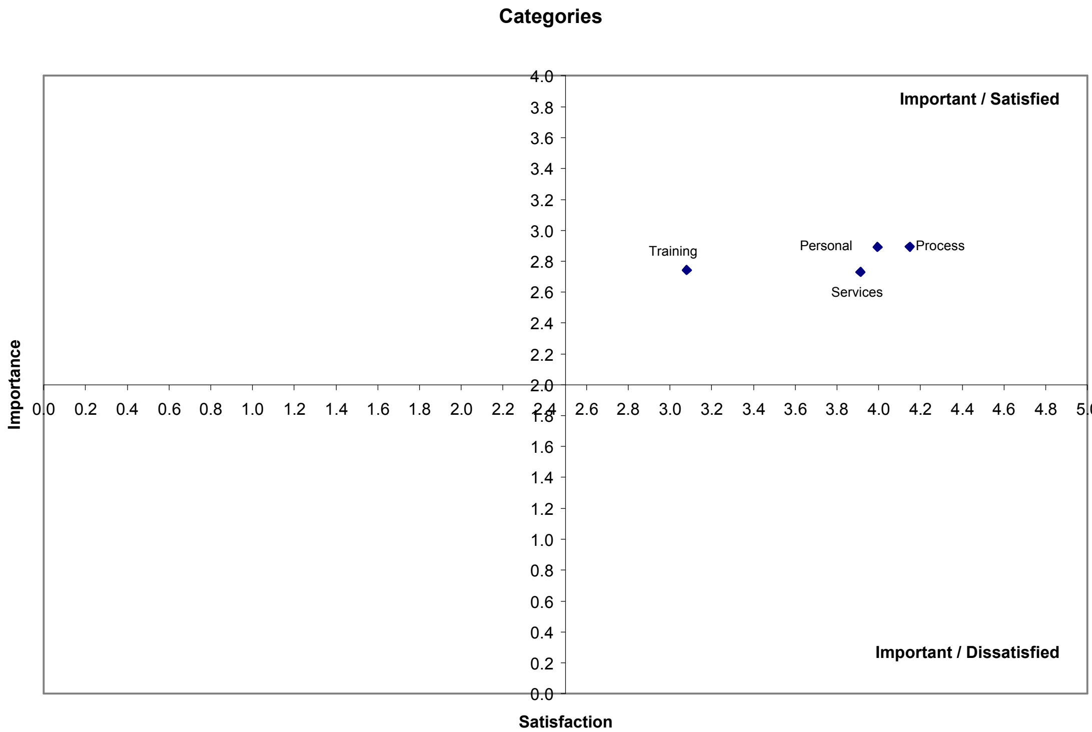
1. The agency helped you acquire capital
2. The agency introduced you to appropriate resources (capital, people)
3. The agency provided an opportunity to network with other business owners
4. Agency has up-to-date / current web page
5. Ability to access information you need
6. The agency provided affordable resources

Training Provided (8)

1. The agency provided training on running a business
2. The agency provided training on marketing your product or service
3. The agency provided technical training
4. Diversity of training topics
5. Training classes were relevant to your business
6. Training classes were held frequently
7. Training conducted by current or former business owners
8. Training was held during non-work hours

Respondents who had interacted with at least 1 government or “quasi-government” agency in the past 12 months were asked to rate how important each attribute was to them on a 5 – point scale (where “5” means “very important” and “1” means “very unimportant.” In addition, respondents were asked how satisfied they were with the agency regarding that specific attribute.

The chart below illustrates that all four categories fell within the Important / Satisfied quadrant. Overall, the attributes within the Process Category were perceived as more important than the other categories. Although still in the same quadrant, The Training Category is the least important of the 4.



The maximum Derived Value Score is 20, and would be achieved if respondents felt the attribute was very important (score = 5) and were very satisfied with the agency's performance (score = 4). A complete list of the Derived Value Scores for each attribute is included in the Appendix. The table below depicts the average scores for the categories.

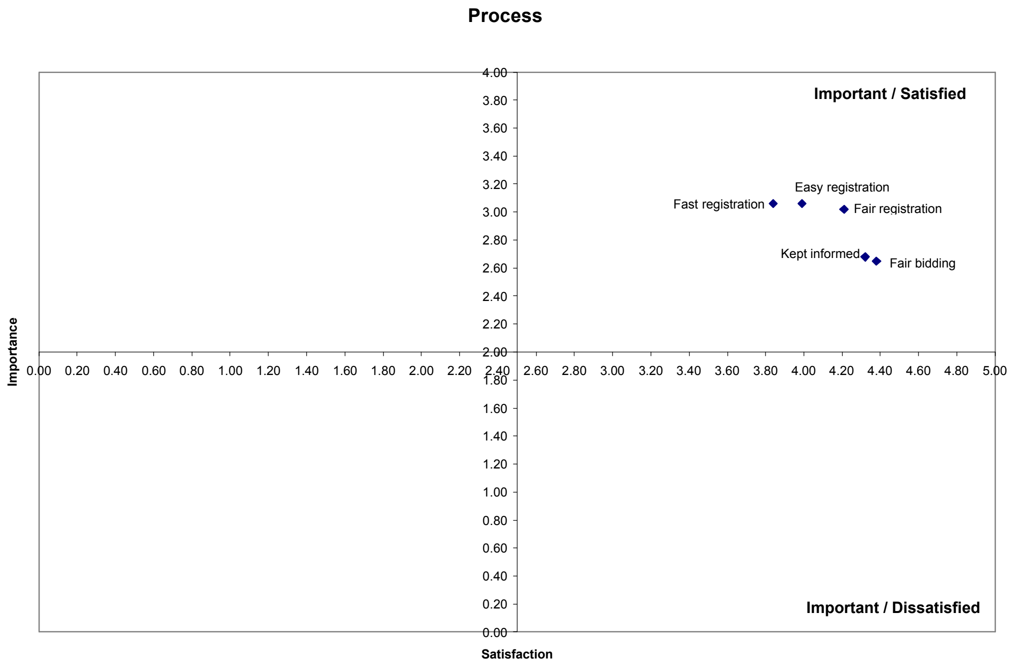
Derived Value Scores			
	Avg. Importance	**Avg. Satisfaction**	**Derived Value**
Process	4.1	2.9	12.00
Personal Interaction	4.0	2.9	11.55
Services Provided	3.9	2.7	10.68
Training	3.1	2.7	8.45

Process

All of the attributes within this category fell in the Important / Satisfied quadrant. Having a fair bidding process and being kept informed of upcoming projects were felt to be more important than the other attributes in this category. Not surprisingly, these 2 attributes relate directly to the company's ability to generate income. In fact, comparing all 26 attributes, more respondents indicated these were very important. Three out of 4 respondents stated a fair bidding process was very important, and 69% felt being kept informed of upcoming projects was very important.

However, even though these 2 were the most important, respondents were less satisfied with the agencies performances on these attributes compared with the other attributes in this category. Respondents were satisfied, but there is an opportunity to improve performance for these attributes.

The remaining attributes in this category pertain to registration (fair registration, easy registration, and fast registration) and are not as important. However, as previously stated, respondents were more satisfied with these attributes.



Process Category				
	Avg. Importance	Avg. Satisfaction	Derived Value	% Very Important
Fair bidding process	4.38	2.65	11.61	72.6%
Informed of upcoming projects	4.32	2.68	11.58	69.0%
Fair registration	4.21	3.02	12.71	63.4%
Easy registration	3.99	3.06	12.21	44.9%
Fast registration	3.84	3.06	11.75	41.3%

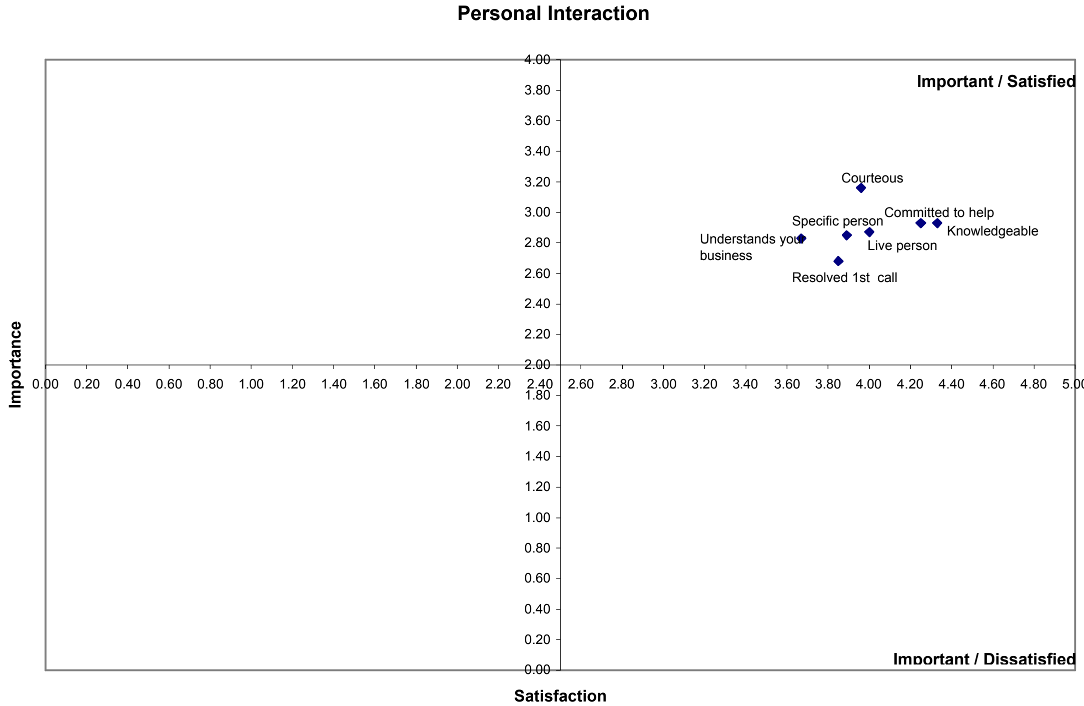
Respondents from IT / software companies were significantly more likely to feel being kept informed of upcoming projects is more important than respondents from the group of "Other" types of companies. Almost 80% of IT respondents stated this attribute was very important compared with 58% of respondents from the "Other" types of companies. There was also a significant difference between these 2 groups with regards to the vendor registration process being applied fairly to small and large businesses (IT – 71.8% versus "Other" – 46.9%).

	Type Of Company			
	IT/ Software	**Consultant**	**Training**	**Other**
Informed Of Upcoming Projects				
Very Important	**78.8%**	67.6%	71.2%	*57.8%*
Very Unimportant	7.1%	5.9%	1.7%	15.6%
Vendor Registration Is Fair To Small and Large Businesses				
Very Important	**71.8%**	63.2%	**67.8%**	*46.9%*
Very Unimportant	4.7%	8.8%	5.1%	15

Personal Interaction

A knowledgeable associate and one that is committed to helping were the most important attributes in this category. With the exception of a courteous associate, respondents were more satisfied with these 2 attributes than they were for the other attributes in the category. More than half the sample indicated these attributes were very important. Sixty-five percent indicated this for having a knowledgeable associate, and 58.4% felt this way about having a person committed to help. Having a live person to go to for help was important (45.5% very important) and the satisfaction level can be improved.

More than 40% of the sample indicated that having a courteous associate was very important, and the agencies performed well in delivering against this attribute. In fact, respondents were more satisfied with this attribute than any other within the category. Having the issue resolved on the first call was perceived as less important, and relative to the other attributes in the category respondents were also less satisfied. Having a specific person to go to for help, and a person that understands your business were less important attributes. Survey responders were satisfied with these qualities.



Personal Interaction Category				
	Avg. Importance	**Avg. Satisfaction**	**Derived Value**	**% Very Important**
Knowledgeable associate	4.33	2.93	12.69	65.3%
Associate committed to help	4.25	2.93	12.45	58.4%
Courteous associate	3.96	3.16	12.51	42.9%
Having a live person available	4.00	2.87	11.48	45.5%
Issue resolved on first call	3.85	2.68	10.32	32.8%
Specific person to contact	3.89	2.85	11.09	41.6%
Associate understands your business	3.67	2.83	10.39	30.0%

For all attributes within this category, there were statistically significant differences in satisfaction scores (very satisfied) between the SBA and “Other” agencies. Respondents that interacted with “Other” agencies are much more inclined to be very satisfied with the interaction than are respondents that interacted with the SBA.

More than1 out of 4 of the sub-group “Other Agencies” were very satisfied with the associate’s level of knowledge compared with 11.6% of those that interacted with the SBA. There was also the perception that SBA associates are not as committed to helping customers as are associates from other agencies. Twenty-three percent of companies that dealt with “Other” agencies were very satisfied on this attribute, versus 9% of the companies that dealt with the SBA.

Since these were rated as the most important attributes in this category, the SBA should focus on better training for its associates.

Pct. Very Satisfied			
		Agency	
	Total Sample	**SBA**	**Other**
Knowledgeable associate	18.5%	***11.6%***	**26.0%**
Associate committed to help	15.9%	***9.0%***	**23.3%**
Courteous associate	20.9%	***11.6%***	**30.8%**
Having a live person available	14.6%	***8.4%***	**21.2%**
Issue resolved on first call	10.9%	***5.8%***	**16.4%**
Specific person to contact	13.6%	***7.7%***	**19.9%**
Associate understands your business	13.6%	***9.0%***	**18.5%**

Women Business Enterprises (WBEs) placed less importance on the associate being courteous than non-WBEs. Slightly more than one-third (34.3%) of WBEs indicated this was very important, versus almost half (47.1%) of non-WBEs.

There were some significant differences between MBEs and non-MBEs for some attributes. As the table below illustrates, MBEs placed more importance on having a live person service them, a specific person to go to for help, and for the associate to understand their business than non-MBEs.

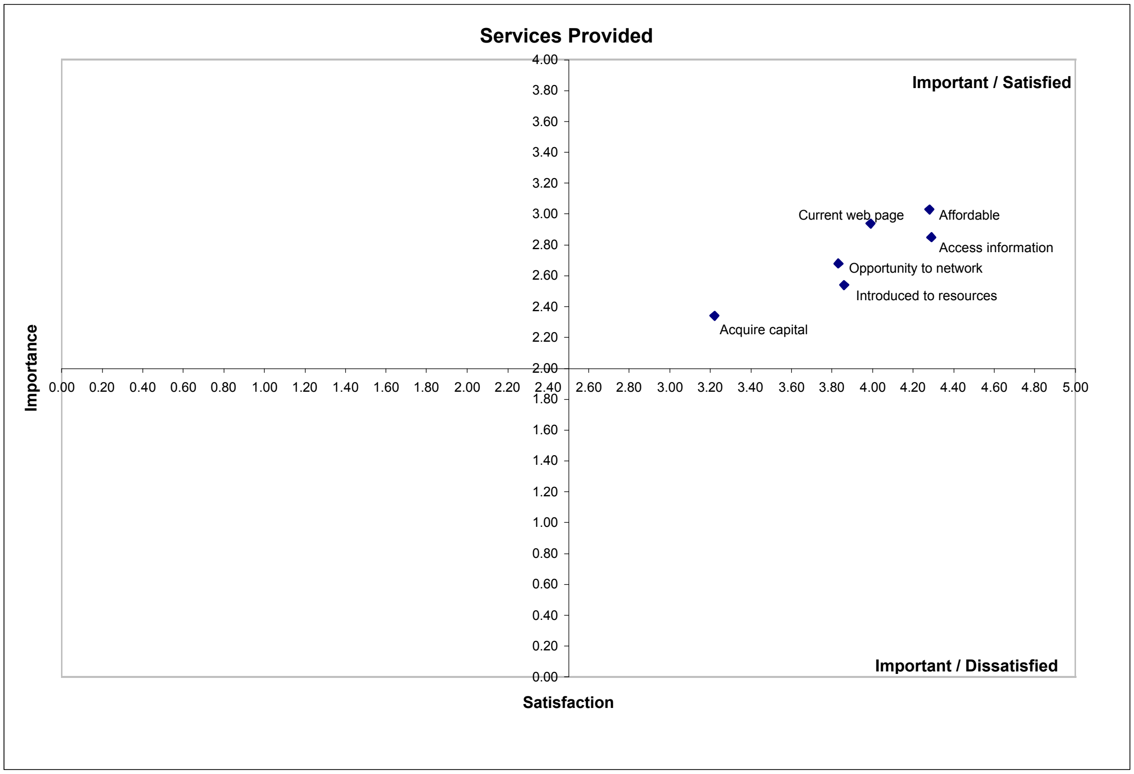
Pct. Very Important			
		Agency	
	Total Sample	**MBE**	**Non-MBE**
Having a live person available	45.5%	**53.8%**	***39.2%***
Specific person to contact	41.6%	**50.0%**	***35.1%***
Associate understands your business	30.0%	**36.4%**	***25.1%***

In addition, companies with more employees (11+) felt it was very important for the associate to understand their business than did companies with fewer employees (10 or less). This was very important for 38.5% of the companies with 11 or more employees, compared with 25.4% of companies with fewer employees.

In addition, 37.6% of software companies felt it was very important for the associate to understand their business. The technically driven companies indicated it was very important for the agencies to understand what they do. Contrast this with consulting firms, where only 22.1% indicated this was very important.

Services Provided

As the following chart illustrates, being affordable and the ability to access information when needed were important attributes within this category. In general, respondents were satisfied with the affordability of the services provided by the various agencies. Overall, the respondents were satisfied with agency web pages. A current web page, being introduced to resources (capital and people), and the opportunity to network with other business owners were not as important as being affordable and the accessibility to information. In general, companies did not think it important for government agencies to provide capital. Nor did they believe agencies were very good at accomplishing this. This attribute has the lowest importance and satisfaction scores for the category.



Services Provided Category				
	Avg. Importance	Avg. Satisfaction	Derived Value	% Very Important
Resources are affordable	4.28	3.03	12.97	57.6%
Access to information	4.29	2.85	12.23	57.3%
Up to-date / current web page	3.99	2.94	11.73	40.4%
An opportunity to network	3.83	2.68	10.26	34.1%
Introduces you to appropriate resources	3.86	2.54	9.80	40.7%
Helps you acquire capital	3.22	2.34	7.53	23.8%

As one would expect, having the resources made affordable was more important to companies that had sales less than $1 Million than to companies with greater sales. Sixty-three percent of smaller companies felt this was very important compared with 43.2% of larger companies. In addition, companies with fewer employees also felt affordability was more important. Companies that interacted with the SBA felt this was less important.

The importance of being able to access information generated significant differences across 2 categories. Smaller companies (10 or fewer employees) were more likely to feel this was very important than larger companies. For these smaller companies, 63.7% indicated this was very important, compared with 46.8% of the larger companies. In addition, companies that offered training tended to be more satisfied with being able to access information than IT / software companies (very satisfied – 23.7% versus 8.3%).

Companies that offer training were more likely to perceive the agencies had a current web page than the IT / software companies. More than one out of 5 of the Training companies were very satisfied with the agency having a current web page, compared with IT / software firms (7.1%).

Smaller companies felt the opportunity to network was more important than larger companies. Significantly more respondents from companies with sales less than $1 Million indicated this attribute was very important (38.5% versus 22.7% -- larger companies). Also, companies that dealt with non-SBA agencies felt this was more important than companies that dealt with the SBA (very important – 41.5% versus 26.9% SBA).

More respondents from companies offering training are very satisfied with being given the opportunity to network with other business owners compared with their IT counterparts.

Pct. Very Satisfied			
		Type of Company	
	Total Sample	Training	IT / Software
Accessibility of information	12.6%	**23.7%**	***8.3%***
Current / up-to –date web page	10.9%	**22.0%**	***7.1%***
Opportunity to network	7.6%	**15.3%**	***3.6%***
Introduced to appropriate resources	6.6%	**13.6%**	***2.4%***

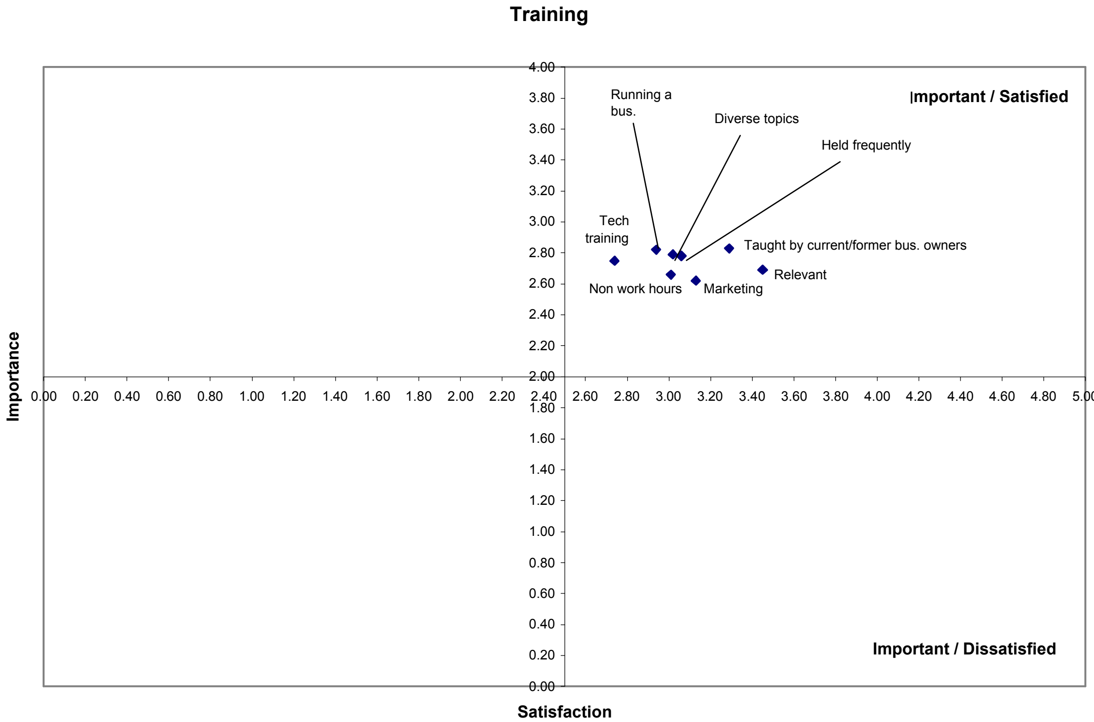
Being introduced to appropriate resources was very important for MBEs compared with non-MBEs. Almost half of all MBEs surveyed indicated this was a very important benefit government agencies provided. Slightly more than one third non-MBEs felt this was very important. Companies that dealt with “Other” agencies (other than SBA) also felt this benefit was very important compared with companies that had interacted with the SBA (Other – 47.6% versus SBA – 34.0%).

As stated previously help acquiring capital was generally not perceived as important. However, MBEs were an exception regarding the provision of capital. Significantly more MBEs indicated the acquisition of capital was a very important service for government agencies to offer.

Pct. Very Important			
		Agency	
	Total Sample	MBE	Non-MBE
Introduced to appropriate resources	40.7%	**47.3%**	***35.7%***
Agency helps you acquire capital	23.8%	**31.3%**	***18.1%***

Training

All of these attributes are in the Important / Satisfied quadrant. In general, they all scored fairly low on Importance as well as Satisfaction.



Training Category				
	Avg. Importance	Avg. Satisfaction	Derived Value	% Very Important
Running a business	2.94	2.82	8.29	15.2%
Technical training	2.74	2.75	10.3%	57.3%
Marketing you product / service	3.13	2.62	8.20	17.2%
Diverse training topics	3.02	2.79	8.43	13.2%
Relevant to your business	3.45	2.69	9.28	40.7%
Training is held frequently	3.06	2.78	8.51	11.6%
Taught by current / former business owners	3.29	2.83	9.31	19.2%
Training during non-work hours	3.01	2.66	8.01	14.2%

As mentioned, all 8 of these attributes were perceived as borderline important by the total sample. However as the table below illustrates, there are statistically significant differences between MBEs and non-MBEs for all 8 of these attributes. Thus, suggesting MBEs perceive the training to be more important than their non-MBE counterparts.

Pct. Very Important			
	Total Sample	**MBE**	**Non MBE**
Relevant to your business	23.5%	**32.8**	***16.4***
Taught by current / former bus. owners	19.2%	**28.2**	***12.3***
Training on marketing	17.2%	**23.7**	***12.3***
Training on running a business	15.2%	**20.6**	***11.1***
Held during non-work hours	14.2%	**19.8**	***9.9***
Diverse training topics	13.2%	**21.4**	***7.0***
Frequent training classes	11.6%	**16.8**	***7.6***
Technical training	10.3%	**15.3**	***6.4***

In addition, to differences based on MBE designation, some of these attributes exhibited significant differences across different groups of respondents.

Younger companies, those that had been in existence less than 4 years indicated that training on marketing their product or service is very important compared with more experienced companies. Almost 25% (24.4%) of the younger companies stated this was very important compared with older companies (12.5%).

Almost 20% (19.7%) of the Companies that had not dealt with the SBA felt training on running a business was very important, compared with companies that had dealt with the SBA (10.9%).

Having agencies provide diverse training topics was significantly more important for companies in the training / services fields than for consultants. More than 20% of the training companies felt this attribute was very important versus 7.4% of consultants.

IT / software companies and companies that conduct training felt it very important for training classes to be held frequently. Nineteen percent of the IT companies and 16.9% of the training companies felt it very important for training classes to be held frequently. General consultants did not, only 2.9% of the consultants indicated this was very important.

Significantly more IT companies felt it was very important that agencies provide technical training compared with consultants (IT – 15.7%; consultants –5.9%).

Detail Tables

Appendix